

**Volcan Compañía Minera S.A.A. and Subsidiaries**

Consolidated interim financial information (unaudited) as of  
December 31, 2017 and 2016

## Volcan Compañía Minera S.A.A. and Subsidiaries

### Consolidated Statement of Financial Position

As of December 31, 2017 (unaudited) and as of December 31, 2016 (audited)

	Note	December 31, 2017 US\$(000)	December 31, 2016 US\$(000)
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	101,829	140,945
Financial investments		51,806	62,406
Trade accounts receivable, net		51,661	69,121
Subsidiaries accounts receivable		11,537	-
Other accounts receivable		160,929	350,479
Other financial assets	6	45,424	43,248
Inventories, net	5	71,672	90,553
<b>Total current assets</b>		<b>494,858</b>	<b>756,752</b>
<b>Non-current Assets</b>			
Other accounts receivable		3,378	30,213
Other financial assets	6	-	21,159
Investments in associates		162	442
Property, plant and equipment, net	7	872,523	1,021,428
Mining exploration and evaluation cost, net	8	705,710	579,738
Deferred income tax asset	10	147,578	274,811
<b>Total non-current assets</b>		<b>1,729,351</b>	<b>1,927,791</b>
<b>Total assets</b>		<b>2,224,209</b>	<b>2,684,543</b>
<b>Liabilities and Net Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Overdrafts		4,005	30,256
Trade accounts payable		209,962	211,244
Subsidiaries accounts payable		87	-
Other accounts payable		91,957	111,161
Other financial liabilities	6	126,619	105,228
Financial obligations	9	173,386	250,923
<b>Total current liabilities</b>		<b>606,016</b>	<b>708,812</b>
<b>Non-current Liabilities</b>			
Other financial liabilities	6	-	24,570
Financial obligations	9	628,987	562,504
Deferred income tax liability	10	257,362	162,050
Provision for contingencies		38,835	34,449
Provision for closing of mining units		134,890	70,528
<b>Total non-current liabilities</b>		<b>1,060,074</b>	<b>854,101</b>
<b>Total liabilities</b>		<b>1,666,090</b>	<b>1,562,913</b>
<b>Patrimonio neto</b>			
Issued capital	11	1,134,300	1,253,181
Treasury stock		(61,222)	(196,778)
Other capital reserves		1,055	3,553
Capital reserve		(174,320)	20,298
Unrealized gains (loss)		(20,511)	-
Revaluation		97	-
Retained earnings		(321,280)	41,376
<b>Total net stockholders' equity</b>		<b>558,119</b>	<b>1,121,630</b>
<b>Total liabilities and net stockholders' equity, net</b>		<b>2,224,209</b>	<b>2,684,543</b>

The accompanying notes are an integral part of this statement.

## Volcan Compañía Minera S.A.A. and Subsidiaries

### Consolidated Income Statement (unaudited)

For the period from January 1, to December 31, 2017 and 2016

	For the cumulative period from October 1 to		For the cumulative period from January 1 to	
	December 31		December 31	
	2017	2016	2017	2016
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales, Note 12	216,634	226,393	856,734	821,548
Cost of Sales, Note 13	(140,034)	(157,866)	(566,118)	(581,224)
<b>Gross Income</b>	<b>76,600</b>	<b>68,527</b>	<b>290,616</b>	<b>240,324</b>
<b>Operating income (expenses)</b>				
Administrative expenses	(11,144)	(13,765)	(45,718)	(44,163)
Selling expenses	(8,171)	(10,335)	(30,563)	(34,068)
Other income	202,903	61,613	237,480	99,314
Other expenses	(568,981)	(58,822)	(611,428)	(92,499)
	(385,393)	(21,309)	(450,229)	(71,416)
<b>Operating income</b>	<b>(308,793)</b>	<b>47,218</b>	<b>(159,613)</b>	<b>168,908</b>
<b>Financial income (expenses)</b>				
Financial income	(4,251)	80,962	3,912	89,216
Financial expenses	(11,038)	(89,492)	(43,018)	(124,674)
<b>Total other income (expenses), net</b>	<b>(15,289)</b>	<b>(8,530)</b>	<b>(39,106)</b>	<b>(35,458)</b>
<b>Income before income tax</b>	<b>(324,082)</b>	<b>38,688</b>	<b>(198,719)</b>	<b>133,450</b>
Income tax, Note 10(b)	(222,576)	(15,359)	(278,747)	(49,044)
<b>Net income</b>	<b>(546,658)</b>	<b>23,329</b>	<b>(477,466)</b>	<b>84,406</b>
<b>Net earnings per share</b>	<b>(0.142)</b>	<b>0.006</b>	<b>(0.124)</b>	<b>0.022</b>
<b>Weighted average of outstanding shares (in thousands)</b>	<b>3,858,230</b>	<b>3,858,520</b>	<b>3,858,230</b>	<b>3,858,520</b>

The accompanying notes are an integral part of this statement.

## Volcan Compañía Minera S.A.A. and Subsidiaries

### Consolidated Statement of Comprehensive Income (unaudited)

For the period from January 1 to December 31, 2017 and 2016

	For the cumulative period from october 1 to December 31		For the cumulative period from January 1 to December 31	
	2017 US\$(000)	2016 US\$(000)	2017 US\$(000)	2016 US\$(000)
<b>Net income</b>	(546,658)	23,329	(477,466)	84,406
<b>Others comprehensive income (loss):</b>				
Net change in gains (losses) unrealized on derivate instruments	(5,948)	13,917	(29,094)	35,505
Income tax	1,755	(3,897)	8,583	(9,942)
<b>Other comprehensive income (loss) net of income tax</b>	(4,193)	10,020	(20,511)	25,563
<b>Total comprehensive income</b>	<b>(550,851)</b>	<b>33,349</b>	<b>(497,977)</b>	<b>109,969</b>

The accompanying notes are an integral part of this statement.

## Volcan Compañía Minera S.A.A. and Subsidiaries

### Statement of changes in the Net Stockholders' Equity (unaudited)

For the period from January 1 to December 31, 2017 and 2016

	Capital Issued	Treasury stock	Other capital reserves	Revaluation	Capital reserve	Unrealized gains (loss)	Retained earnings	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>Balances as of January 1, 2016</b>	<b>1,531,743</b>	<b>(240,450)</b>	<b>119,837</b>	-	<b>20,296</b>	<b>(25,563)</b>	<b>(378,364)</b>	<b>1,027,499</b>
Net income	-	-	-	-	-	-	84,406	84,406
Net change in gains unrealized on derivative instruments	-	-	-	-	-	25,563	-	25,563
Comprehensive income for the period	-	-	-	-	-	25,563	84,406	109,969
Reduction of Capital	(278,562)	43,725	(116,516)	-	-	-	351,353	-
Dividends declared	-	-	-	-	-	-	(15,136)	(15,136)
Legal reserve allocation	-	-	232	-	-	-	(232)	-
Accumulated income EAP	-	-	-	-	-	-	(4,418)	(4,418)
Increase (decrease) in treasury stock transactions	-	(53)	-	-	2	-	-	(51)
Conversion effect	-	-	-	-	-	-	3,767	3,767
<b>Balances as of December 31, 2016</b>	<b>1,253,181</b>	<b>(196,778)</b>	<b>3,553</b>	-	<b>20,298</b>	-	<b>41,376</b>	<b>1,121,630</b>
<b>Balances as of January 1, 2017</b>	<b>1,253,181</b>	<b>(196,778)</b>	<b>3,553</b>	-	<b>20,298</b>	-	<b>41,376</b>	<b>1,121,630</b>
Reclasification	(118,881)	135,723	41,490	-	(194,337)	-	136,005	-
<b>Balances restated as of January 1, 2017</b>	<b>1,134,300</b>	<b>(61,055)</b>	<b>45,043</b>	-	<b>(174,039)</b>	-	<b>177,381</b>	<b>1,121,630</b>
Dividends declared	-	-	-	-	-	-	(30,454)	(30,454)
Net income	-	-	-	-	-	-	(477,466)	(477,466)
Reservation appropriation	-	-	(43,988)	-	-	-	43,988	-
Increase (decrease) in treasury stock transactions	-	(167)	-	-	(281)	-	-	(448)
Net change in gains unrealized on derivative instruments	-	-	-	-	-	(20,511)	-	(20,511)
Conversion effect	-	-	-	1	-	-	(19,372)	(19,371)
Accumulated income of new subsidiaries	-	-	-	96	-	-	(15,357)	(15,261)
<b>Balances as of December 31, 2017</b>	<b>1,134,300</b>	<b>(61,222)</b>	<b>1,055</b>	<b>97</b>	<b>(174,320)</b>	<b>(20,511)</b>	<b>(321,280)</b>	<b>558,119</b>

The accompanying notes are an integral part of this statement.

## Volcan Compañía Minera S.A.A. and Subsidiaries

### Consolidated Cash Flows Statement (unaudited)

For the period from January 1 to December 31, 2017 and 2016 (Note 2C)

	December 31, 2017	December 31, 2016
	US\$(000)	US\$(000)
<b>Operating activities</b>		
Collection of sales proceeds	961,891	904,156
Refund of the credit balance in favor of the exporter and taxes	49,054	47,656
Payments to suppliers and third parties	(557,842)	(574,442)
Payments to workers	(95,357)	(79,838)
Income tax payments	(22,359)	(9,548)
Royalties	(16,132)	(9,110)
Expenses for coverage	(15,007)	(44,557)
<b>Cash flows from operating activities</b>	<b>304,248</b>	<b>234,317</b>
<b>Investing activities</b>		
Dividends received	-	304
Purchase of investment property	(28,506)	(26,110)
Disbursements for the acquisition of mining rights, property, plant and equipment	(108,486)	(43,743)
Disbursements for exploration and development activities	(108,614)	(69,883)
Other cash receipts related to the investment activity	1,920	-
<b>Cash flows (used in) investment activities</b>	<b>(243,686)</b>	<b>(139,432)</b>
<b>Financing activities</b>		
Increase (decrease) in financial obligations	(34,471)	(31,617)
Repurchase of shares	-	2
Interest payment	(36,526)	(37,090)
Dividends	(28,681)	(15,136)
<b>Cash flows (used in) from financing activities</b>	<b>(99,678)</b>	<b>(83,841)</b>
Increase (Decrease) in cash and cash equivalents for the period	(39,116)	11,044
Cash and cash equivalents at the beginning of the period	140,945	129,901
<b>Cash and cash equivalents at the end of the period</b>	<b>101,829</b>	<b>140,945</b>

The accompanying notes are an integral part of this statement

## Volcan Compañía Minera S.A.A. and Subsidiaries

### Notes to the consolidated interim financial statements (unaudited)

As of December 31, 2017 and December 31, 2016

#### 1. Identification and economic activity

(a) Identification -

Volcan Compañía Minera S.A.A. (hereinafter “the Company”, “the Parent Company” or “Volcan”) was incorporated in Perú in the city of Lima on February 1, 1998 through the merger of Volcan Compañía Minera S.A., incorporated in June 1943, and Empresa Minera Mahr Túnel S.A., a company which had been acquired by the Company under a privatization process in 1997.

The shares which make up the capital stock of the Company are listed on the Lima Stock Exchange.

The legal seat and administrative offices of the Company and its subsidiaries are located on Av. Manuel Olguín No. 375, Urbanización Los Granados, Santiago de Surco, Lima.

(b) Economic activity -

The Company is engaged, on its own behalf, in the exploration for and exploitation of mining concessions and in the extraction, concentration, treatment and comercialization of polymetallic ore. Until January 2011, it ran as part of its own structure two mining units located in the departments of Pasco and Junín, in the central highlands of Perú. In February, 2011, the Cerro de Pasco Unit was spun-off under a simple reorganization process, retaining control over this subsidiary. At these locations, the company produces zinc, copper, lead and silver concentrates.

The Company’s Management administers and runs all operations of the Company’s subsidiaries and those of the latter are subsidiaries.

(c) Approval of consolidated financial statements -

The consolidated interim financial statements as of December 31, 2017 were approved by the Company’s Management on February 15, 2017. The consolidated financial statements as of December 31, 2016 were approved by the Shareholders’ Meeting on february 14, 2017.

(d) The consolidated financial statements include the financial statements from the following subsidiaries:

	Percentage of direct or indirect interest in the capital	
	December 31, 2017	December 31, 2016
Subsidiaries:		
Empresa Explotadora de Vinchos Ltda. S.A.C	99.99	99.99
Empresa Minera Paragsha S.A.C.	99.99	99.99
Compañía Minera Chungar S.A.C.	100	100
Minera Aurífera Toruna S.A.C. (*)	80	80
Empresa Administradora de Cerro S.A.C.	99.99	99.99
Minera San Sebastián AMC S.R.L.	100	100
Hidroeléctrica Huanchor S.A.C (***)	100	100
Compañía Hidroeléctrica Tingo S.A. (**) (***)	99.99	99.99
Empresa de Generación Eléctrica Baños S.A. (***) (****)	99.99	99.99
Óxidos de Pasco S.A.C	99.99	99.99
Terminales Portuarios Chancay S.A.	99.99	99.99
Roquel Global S.A.C.	99.99	-
Agroindustrias Chancay S.A.C.	99.99	-
Cía. Industrial Ltda. De Huacho S.A.	99.99	-
Corporación Logística Chancay S.A.C.	99.99	-
Compañía Minera Vichaycocha S.A.C.	99.99	-
Empresa Administradora de Puertos S.A.C.	-	99.99

(\*) These are, in turn, subsidiaries of Empresa Minera Paragsha S.A.C.

(\*\*) This is, in turn, a subsidiary of Compañía Minera Chungar S.A.C.

(\*\*\*) Subsidiary engaged in the energy generation.

(\*\*\*\*) This is, in turn, a subsidiary of Hidroeléctrica Huanchor S.A.C.

On January 1, 2016, the merger of Empresa Administradora Chungar S.A.C. and Compañía Minera Alpamarca S.A.C. (survivor company) took place, at the same event, the latter changed its name to Compañía Minera Chungar S.A.C.

The shareholders meeting of Compañía Minera Chungar S.A.C. agreed a spin-off of the assets and liabilities related to Rucuy Project, valued in S/1,446 thousand, in favor of Empresa de Generación Eléctrica Baños S.A. According to the Shareholders Meeting, the spin-off entered in force on June 1, 2016.

On October 5, 2016, Empresa Administradora de Puertos S.A.C. (today Terminales Portuarios Chancay S.A.) capitalizes the debts it maintains with Volcan Compañía Minera S.A.A. equivalent to S/ 145,849 thousand.

On May 1, 2017, the merger of Empresa Administradora de Puertos S.A.C. and Terminales Portuarios Chancay S.A. (survivor company) took place. On May 31, 2017, Terminales Portuarios Chancay S.A. capitalizes the debts it maintains with Volcan Compañía Minera S.A.A. and Empresa Administradora Cerro S.A.C. equivalent to S/ 11,124 thousand and S/ 59,222 thousand, respectively.



(e) Issuance of bonds -

By resolution of the Company's Shareholders Meeting held on November 4, 2011, approval was provided to the issuance of bonds in the aggregate amount of US\$1,100,000,000 (One Thousand One Hundred Million United States Dollars), or its equivalent in soles, to be placed at the international and/or local markets, with a first tranche in the amount of US\$600,000,000 (Six Hundred Million United States Dollars), to finance mining and power projects within the next five years. Furthermore, the Board of Directors was vested, in the broadest manner permitted by applicable laws and the Company's bylaws, with all powers necessary for its determination of each and all terms, characteristics and conditions applicable to the issuance of bonds.

At the Company's Board Meeting held on January 16, 2012, it was agreed to approve an issuance of bonds under Regulation 144A and Regulation S of the U.S. Securities Act of the United States of America, in the aggregate amount of US\$600,000,000 (Six Hundred Million U. S. Dollars), subject to the terms and conditions determined by the attorneys-in-fact designated by the Parent Company for such purpose, and at market conditions.

On February 2, 2012, bonds were issued and all of the so-called "Senior Notes due 2022" were placed for US\$600,000,000 at the international market, at an annual rate of 5.375%, with a ten- year maturity and half-yearly installments payable from August 2, 2012 through February 2, 2022. It is worth noting that the demand for such bonds from investors interested in their acquisition reached US\$ 4.8 million U.S. dollars. As of December 31, 2017 the outstanding liability amounts to US\$ 535,264 thousand.

These funds were mainly used in growth projects, including the Silver Oxide Plant located in the Cerro de Pasco unit, the new Alpacamarca-Pallanga River unit, and the acquisition of Hidroeléctrica Huancho S.A.C.

## **2. Basis of presentation, accounting principles and practices**

### **Basis of presentation -**

The consolidated interim financial statements (unaudited) for the twelve-month periods ended December 31, 2017 and 2016 were prepared in accordance with IAS 34 "Interim Financial Reporting".

The consolidated interim financial statements do not include all information and disclosures required from annual consolidated financial reports and should be read together with annual consolidated financial statements for years 2016 and 2017.

For a correct reading of the financial statement, certain reclassification have been made in 2016.

#### Accounting principles and practices -

- (a) In the preparation of the attached consolidated interim financial statements, the Company has used the same accounting criteria and principles as for its consolidated annual financial statements.

The Company has not adopted in advance any standard, interpretation or modification which had been issued but not made effective as of the date of the consolidated interim financial statements.

- (b) The functional and presentation currency used by the Company is the United States Dollar. Transactions in foreign currency (i.e. any currency other than the functional currency) are initially translated into functional currency using the exchange rates in force on the date of the transactions. Monetary assets and liabilities expressed in foreign currency are subsequently adjusted to functional currency using the exchange rate prevailing on the date of the consolidated statement of financial position. Non-monetary assets and liabilities in foreign currency, recorded at historical costs, are translated into functional currency using the exchange rates in force on the original dates of transactions. Any gains or losses from the exchange rate differential resulting from the liquidation of such transactions and the translation of monetary assets and liabilities into foreign currency at the exchange rates prevailing as of fiscal year closing are recognized in the consolidated income statement.

- (c) Cash and cash equivalents

This heading included in the Company's statement of financial position includes all cash balances, term deposits, mutual funds, financial assets and financial investment foreign which are short-term, highly liquid and readily convertible into cash and have free availability and investment abroad.

Furthermore, for purposes of their presentation in the cash flows statement, the cash, mutual funds and term deposits with original maturities of twelve or less months are included, and also the financial assets at fair value through profit or loss, because of their high liquidity according to the Company's Management.

### **3. Seasonality of operations**

The Company operates on a continuous basis, with no important fluctuations due to seasonal factors.

#### 4. Cash and cash equivalents

Herein below is the composition of this heading:

	As of December 31, 2017	As of December 31, 2016
	US\$(000)	US\$(000)
Funds available:		
Cash	11	16
Fixed fund	26	32
Bank checking accounts	100,933	96,438
Term deposits	-	37,261
Mutual funds	442	6,795
Funds subject to restriction	417	403
	<u>101,829</u>	<u>140,945</u>

#### 5. Inventories

The composition of this heading is presented below:

	As of December 31, 2017	As of December 31, 2016
	US\$(000)	US\$(000)
Miscellaneous supplies	58,833	55,972
Raw material (extracted ore)	16,395	27,079
Value of stockpiles	7,752	7,752
Concentrates	10,734	8,046
Inventories in transit	1,089	464
Allowance for obsolescence of spare parts and supplies (a)	(23,131)	(8,760)
	<u>71,672</u>	<u>90,553</u>

The company's Management estimates that the balances carried under "Inventories" do not exceed their net realization values as of December 31, 2017 and as of December 31, 2016.

(a) In the opinion of the Company's Management, the allowance for obsolescence of spare parts and supplies adequately covers such risk as of December 31, 2017 and as of December 31, 2016.

## 6. Other financial assets (liabilities)

Here in below is the composition of receivables:

	As of December 31 2017	As of December 31 2016
	US\$(000)	US\$(000)
Fair value of trading derivatives	29,541	42,831
Settled derivative financial instruments and premiums	12,787	16,623
Embedded derivative related to sales of concentrates	2,970	4,953
	<b>45,298</b>	<b>64,407</b>
Fair Value of swaps of associated with of loans	126	-
	<b>126</b>	<b>-</b>
	<b>45,424</b>	<b>64,407</b>
Less: non-current portion	-	(21,159)
Current portion	<b>45,424</b>	<b>43,248</b>

Here in below is the composition of payables:

	As of December 31 2017	As of December 31 2016
	US\$(000)	US\$(000)
Fair value of hedging derivatives	29,220	-
Fair value of trading derivatives	7,706	14,820
Settled derivative financial instruments and premiums	89,693	111,731
Embedded derivative related to sales of concentrates	-	3,247
	<b>126,619</b>	<b>129,798</b>
Less: non-current portion	-	(24,570)
Current portion	<b>126,619</b>	<b>105,228</b>

The Company uses derivative instruments to reduce its exposure to market risks. Such risks are primarily related to the effects of constantly fluctuating prices for the metals traded by the Company. The Company Management's intention is to maintain derivative instruments to hedge the price fluctuations of metals.

Mineral quotations hedging transactions -

As of December 31, 2017 the Company has executed price hedging operations contracts to hedge future cash flows from its sales. Critical hedge transaction terms have been negotiated with agents so as to match those terms negotiated under the related commercial contracts.

The change in the equity account “Unrealized gains (loss)” is presented below:

	<b>Hedging Financial Derivatives</b>	<b>Income tax</b>	<b>Unrealized Gains (losses)</b>
	US\$(000)	US\$(000)	US\$(000)
<b>Balances as of December 31, 2015</b>	<b>(35,505)</b>	<b>9,942</b>	<b>(25,563)</b>
<b>Total change in hedging derivative financial instruments</b>	<b>35,505</b>	<b>(9,942)</b>	<b>25,563</b>
<b>Balances as of December 31, 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total change in hedging derivative financial instruments</b>	<b>(29,094)</b>	<b>8,583</b>	<b>(20,511)</b>
<b>Balances as of December 31, 2017</b>	<b>(29,094)</b>	<b>8,583</b>	<b>(20,511)</b>

## 7. Property, Plant and Equipment, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2017	Additions	Write-offs	Transfers and / or Reclassifications	Corporate Addition	Revaluation	Deterioration	Balances as of December 31, 2017
<u>2017</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b>Cost</b>								
Land	7,751	20,299	-	5,732	4,774	-	(9,131)	29,425
Buidings and other constructions	787,249	12,995	(4,039)	109,988	1,548	-	(128,822)	778,919
Environmental management program infrastrl	22,874	-	-	(28)	-	-	(554)	22,292
Machinery and equipment	303,219	5,006	(21,175)	1,517	840	-	(4,085)	285,322
Transportation units	11,999	451	(535)	-	-	-	(212)	11,703
Furniture and fixtures and IT equipment	13,284	281	(68)	-	51	-	(60)	13,488
Miscellaneous equipment	430,822	9,547	(31)	276	211	-	(19,571)	421,254
Units in transit	1,059	7,929	-	(584)	-	-	(4,124)	4,280
Works in progress	167,836	60,965	(5,728)	(116,519)	169	-	(11,932)	94,791
	<b>1,746,093</b>	<b>117,473</b>	<b>(31,576)</b>	<b>382</b>	<b>7,593</b>	<b>-</b>	<b>(178,491)</b>	<b>1,661,474</b>
<b>Accumulated depreciation</b>								
Buidings and other constructions	(158,633)	(43,071)	197	(1)	(808)	-	-	(202,316)
Environmental management program infrastrl	(22,076)	(175)	-	1	-	-	-	(22,250)
Machinery and equipment	(253,328)	(12,437)	18,599	-	(384)	-	-	(247,550)
Transportation units	(10,737)	(440)	528	-	-	-	-	(10,649)
Furniture and fixtures and IT equipment	(8,273)	(909)	68	-	(35)	-	-	(9,149)
Miscellaneous equipment	(271,618)	(25,288)	16	-	(147)	-	-	(297,037)
	<b>(724,665)</b>	<b>(82,320)</b>	<b>19,408</b>	<b>-</b>	<b>(1,374)</b>	<b>-</b>	<b>-</b>	<b>(788,951)</b>
<b>Net cost</b>	<b>1,021,428</b>							<b>872,523</b>
<u>2016</u>								
<b>Cost</b>	1,737,714	101,323	(11,789)	(45,276)	-	(35,879)	-	1,746,093
Accumulated depreciation	(649,654)	(85,086)	10,075	-	-	-	-	(724,665)
<b>net cost</b>	<b>1,088,060</b>							<b>1,021,428</b>

## 8. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2017	Additions	Write-offs	Transfers and / or Reclassifications	Corporate Addition	Revaluation	Deterioration	Balances as of December 31, 2017
<u>2017</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b><u>Cost</u></b>								
Mining rights and concessions	285,211	496	-	-	4,739	-	(21,756)	268,690
Exploration	227,155	37,769	-	(1,526)	85,637	-	(135,645)	213,390
Development and stripping costs	548,568	75,285	-	1,070	-	-	11,292	636,215
Closing of mining units	71,971	-	-	-	-	65,469	(32,454)	104,986
Other intangible assets	82,917	4,051	-	75	15	-	(778)	86,280
	<b>1,215,822</b>	<b>117,601</b>	<b>-</b>	<b>(381)</b>	<b>90,391</b>	<b>65,469</b>	<b>(179,341)</b>	<b>1,309,561</b>
<b><u>Accumulated amortization</u></b>								
Mining rights and concessions	(172,074)	(9,527)	-	-	(18)	-	-	(181,619)
Exploration	(82,179)	(11,125)	-	577	(1)	-	-	(92,728)
Development and stripping costs	(345,193)	(30,513)	89,036	(577)	-	-	-	(287,247)
Closing of mining units	(27,520)	(4,537)	-	-	-	-	-	(32,057)
Other intangible assets	(9,118)	(1,071)	-	-	(11)	-	-	(10,200)
	<b>(636,084)</b>	<b>(56,773)</b>	<b>89,036</b>	<b>-</b>	<b>(30)</b>	<b>-</b>	<b>-</b>	<b>(603,851)</b>
<b>Net cost</b>	<b>579,738</b>							<b>705,710</b>
<b><u>2016</u></b>								
<b>Cost</b>	981,088	149,097	(1,642)	-	-	87,279	-	1,215,822
Accumulated depreciation	(589,550)	(48,878)	2,344	-	-	-	-	(636,084)
<b>Net cost</b>	<b>391,538</b>							<b>579,738</b>

## 9. Financial Obligations:

The activity and composition of this heading are presented below:

	Balances as of January 1, 2017	Loans	Payment	Balances as of December 31, 2017	Current	Non-current
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b>Financial Institutions - leasing</b>						
Banco de Credito del Perú	370	-	(370)	-	-	-
Banco internacional del Perú-Interbank	2,874	417	(2,665)	626	412	214
Scotiabank Perú S.A.A.	8,044	-	(2,560)	5,484	2,057	3,427
Banco Continental	2,121	-	(1,694)	427	427	-
<b>Financial Institutions - loans</b>						
Itau Unibanco - Nassau Branch	23,571	-	(23,571)	-	-	-
Scotiabank Perú S.A.A.	-	20,000	-	20,000	20,000	-
Citibank NA, New York	-	70,000	-	70,000	-	70,000
Scotiabank Perú S.A.A.	80,000	-	(40,000)	40,000	40,000	-
Atlas Copco Financial Solutions AB	1,183	-	(611)	572	490	82
ITAU Corbanca New York	-	20,000	(20,000)	-	-	-
Banco internacional del Perú-Interbank	-	10,000	-	10,000	-	10,000
Scotiabank Perú S.A.A.	-	10,000	-	10,000	-	10,000
Banco Continental	20,000	-	(20,000)	-	-	-
Banco Continental	50,000	-	(50,000)	-	-	-
Banco Continental	40,000	-	(40,000)	-	-	-
Banco Continental	-	60,000	-	60,000	60,000	-
<b>Bonds</b>						
	535,264	-	-	535,264	-	535,264
<b>Short term debt instruments</b>						
	50,000	50,000	(50,000)	50,000	50,000	-
	<b>813,427</b>	<b>240,417</b>	<b>(251,471)</b>	<b>802,373</b>	<b>173,386</b>	<b>628,987</b>
Financial obligations current	(250,923)			(173,386)		
Financial obligations non-current	<b>562,504</b>			<b>628,987</b>		



## 10. Deferred Income tax

(a) The composition of this heading, according to the items originating same, is provided below:

	As of December 31 2017 US\$(000)	As of December 31 2016 US\$(000)
<b>Deferred assets with effect on gains (losses)</b>		
Expenses of amortization of mining rights and concessions, exploration, development and stripping costs	56,947	152,581
Provision for the closing of mining units	40,029	24,730
Fair value of derivatives financial instruments and premiums	19,771	4,529
Contingencies provisions	9,018	12,948
Estimation for devaluation of inventories	6,824	2,513
Recoverable tax loss	4,692	70,635
Fair value polpaico cement	3,127	-
Vacation payments outstanding	2,010	2,583
Provision of mining royalties	1,699	1,542
Provision for doubtful accounts	1,364	1,497
Other minors	2,097	1,253
<b>Deferred assets</b>	<b>147,578</b>	<b>274,811</b>
<b>Deferred liabilities with effect on gains (losses)</b>		
Use of benefits of amortization of mining rights and concessions, exploration, development and stripping costs	206,333	153,580
Effect by translation of the tax benefits to dollars	32,806	-
Fair value of derivatives financial instruments and premiums	9,316	-
Value of stock piles	2,287	2,310
Insurance indemnity	1,583	-
Embedded derivative	1,273	211
Sales adjustment	-	3,680
Estimate for values of share	-	1,584
Bond issuance expenses	-	685
Other minors	3,764	-
<b>Deferred liabilities</b>	<b>257,362</b>	<b>162,050</b>

(b) The income tax expense carried in the income statement:

	For the period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2017 US\$(000)	2016 US\$(000)	2017 US\$(000)	2016 US\$(000)
Income Tax				
Current	(24,914)	(14,543)	(47,351)	(36,619)
Deferred	(193,024)	6,587	(213,299)	1,241
	<u>(217,938)</u>	<u>(7,956)</u>	<u>(260,650)</u>	<u>(35,378)</u>
Tax on mining royalties	(4,314)	(7,139)	(17,452)	(13,011)
Contribution to the retirement fund	(324)	(264)	(645)	(655)
<b>Total income (loss) tax expense</b>	<b><u>(222,576)</u></b>	<b><u>(15,359)</u></b>	<b><u>(278,747)</u></b>	<b><u>(49,044)</u></b>

## 11. Issued capital

It is represented by 1,633,414,553 class "A" shares with right to vote and 2,443,157,622 class "B" shares with no right to vote but right to preference dividend distribution; such right is not cumulative. From the total, 182,664,981 class "A" shares and 12,234,901 class "B" shares are held by subsidiary Empresa Minera Paragsha S.A.C., 23,442,345 class "A" shares by subsidiary Compañía Minera Chungar S.A.C .

Both class "A" and class "B" common shares listed in the Lima Stock Exchange were frequently traded by the stock market. As of December 31, 2017, their quotation was S/ 4.00 and S/ 1.32 per share, respectively (S/ 1.41 and S/ 0.72 per share, respectively, as of December 31, 2016). As of December 31, 2017, the trading frequency for class "A" shares was 5 percent, and for class "B" shares 100 percent (for class "A" shares was 60 percent, and for class "B" shares 100 percent as of December 31, 2016).

On March 31, 2016, the General Meeting of Shareholders agreed to reduce the share capital of the Company S/ 529,954,383 of S/ 4,076,572,175 to S/ 3,546,617,792 by reducing the nominal value of all the Class "A" and Class "B" issued by the Company, i.e., affecting the 4,076,572,175 shares issued by the Company, whose nominal value is reduced to S/ 1.00 to S/ 0.87.

At the board meeting held on July 5, 2016, the directors approved the distribution of cash dividends of up to S/ 52,484,125.70 (equivalent to US\$.15,967,181) in favor of the shareholders, which correspond to the profits of fiscal year 2014. Said dividends were paid on August 9, 2016.

At the board meeting held on January 23, 2017, the directors approved the distribution of cash dividends of up to S/ 49,105,817 (equivalent to US\$.14,853,544) in favor of the shareholders, which correspond to the profits of fiscal year 2014. Said dividends were paid on February 28, 2017.

At the board meeting held on October 2, 2017, the directors approved the distribution of cash dividends of up to S/ 54,583,491 (equivalent to US\$.16,396,750) in favor of the shareholders, which correspond to the profits of fiscal year 2016. Said dividends were paid on October 27, 2017.

## 12. Net Sales

The table herein below provides a detail of net sales:

	For the period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2017 US\$(000)	2016 US\$(000)	2017 US\$(000)	2016 US\$(000)
Net concentrate sales				
Zinc	134,801	127,325	499,757	420,309
Lead	55,089	49,667	192,477	207,052
Copper	10,222	5,256	44,698	20,779
Silver	10,517	20,935	48,750	72,437
Bulk	-	4,828	7,934	20,493
Silver Bars	16,362	18,765	66,548	74,078
Gold Bars	-	-	-	712
Final settlement adjustments	2,022	9,500	9,373	12,305
	<u>229,013</u>	<u>236,276</u>	<u>869,537</u>	<u>828,165</u>
Gain (loss) realized on financial instruments	(6,699)	(6,992)	(5,576)	(25,976)
Sales adjustment for the current period (a)	(7,034)	2,627	(9,836)	14,831
Embedded derivatives for the current period (b)	1,354	(5,518)	2,609	4,528
	<u>216,634</u>	<u>226,393</u>	<u>856,734</u>	<u>821,548</u>

### (a) Sales adjustment

Sales of concentrates by the Company and its Subsidiaries are based on commercial contracts whereby a provisional value is assigned to sales, to be adjusted in accordance with a forward and final quotation. The sales adjustment is regarded as an embedded derivative which must be separated from the contract. Sales agreements are related to future market prices. The embedded derivative does not qualify as a hedging instrument; accordingly, any changes in its fair value are charged to profit and loss. As of December 31, 2017 and 2016, the Company holds embedded derivatives based on forward prices with respect to the anticipated liquidation date, since, under commercial contracts, final prices are to be established over the next months. The adjustment of the provisional sales value is recorded as an adjustment of net current sales.

Sales of concentrates include adjustments to the provisional sales value resulting from changes in the embedded derivatives fair value. Such adjustments resulted in loss for US\$ 9,836 thousand and gain US\$ 14,831 thousand in the twelve-months periods ended December 31, 2017 and 2016; respectively, and are shown as part of net sales.

### (b) Embedded derivatives

As of December 31, 2017 the fair value of embedded derivatives yielded gain for US\$ 2,609 thousand (US\$ 4,528 thousand of gain as of December 31, 2016). It is shown in net sales in consolidated income statement. The price forecasts of our open positions as of December 31, 2017 and 2016 have been taken from entities that work with the London Metal Exchange (LME) publications.

### 13. Cost of Sales

The composition of this below:

	For the period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2017 US\$(000)	2016 US\$(000)	2017 US\$(000)	2016 US\$(000)
Concentrates beginning inventory	4,765	13,453	8,046	19,335
Raw materials (extracted ore) beginning inventory	24,943	27,088	27,079	28,726
<b>Production cost:</b>				
Labor	21,400	17,442	71,195	63,937
Rental, power and other expenses	56,803	56,350	226,869	220,681
Supplies used	27,541	27,882	109,318	103,430
Depreciation and amortization	34,472	29,057	130,482	116,740
Purchase of concentrate and minerals	2,616	20,649	19,849	63,043
Exceptionals, others	(5,377)	1,071	409	458
<b>Less - concentrates ending inventory</b>	<b>(10,734)</b>	<b>(8,046)</b>	<b>(10,734)</b>	<b>(8,046)</b>
<b>Less - raw materials (extracted ore) ending inventory</b>	<b>(16,395)</b>	<b>(27,080)</b>	<b>(16,395)</b>	<b>(27,080)</b>
	<b>140,034</b>	<b>157,866</b>	<b>566,118</b>	<b>581,224</b>